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FCC MAIL ROOM

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96-59

July 15, 1996

Office of the Secretary
Federal Communications Commission
Office of the Secretary
1919 M Street, N.W.
Washington, DC. 20554

Petition for Reconsideration Re: Report and Order of the Federal Communications Commission, FCC 96-278, adopted June 21, 1996, released June 24, 1996, in the proceeding entitled In the Matter of Amendment of Parts 20 and 24 of the Commission's Rules - Broadband PCS Competitive Bidding and the Commercial Mobile Radio Service Spectrum Cap; Amendment of the Commission's Cellular/PCS Cross-Ownership Rule.

This document is a request to the FCC to restore the C-Band level of financial incentives for designated entities bidding in the F-Band Auction.

The FCC's concerns and efforts to "deter insincere and speculative bidding and to ensure that bidders have the financial capacity to build out their systems" has created a penalty for "very small" bidders. Instead of encouraging and aiding small entrepreneurial businesses in entering the wireless business, it is playing to the larger and well financed companies. By raising the "ante" to enter into the auction and participate in the wireless business, the FCC is pushing out very small businesses -- the very ones that hope to bring new and innovative products and services to the marketplace.

Moreover, the incentive changes are unreasonable, subjective and beyond that which is necessary to "deter insincere and speculative bidding and to ensure that bidders have the financial capacity to build out their systems."

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The changes proposed by the FCC for the F-Band auction will result in pushing small and very small businesses out of the auction or reducing the number of spectrum properties that one can win and build. I had proposed in my NOI that the FCC increase the incentives for small and very small businesses. On the other hand, the FCC has taken the opposite position and reduced incentives, in order to raise more money for the Government and thus eliminating or reducing significantly the chances of small and very small businesses to win spectrum licenses. These changes are significant. They are not mere percentage point changes but major shifts of hundreds of percentage points -- resulting in a clear change in policy to push out small businesses and maximize moneys from well financed larger bidders.

See the chart below. The changes made by the FCC are staggering! They go to push out the small companies in favor of larger more well financed companies. Moreover, to change the rules for the designated entity band, that is, the F-Band at this stage is an act of bad faith. The FCC can argue that it has the right to change the rules after the C-Band. However, it would have been fairer for the FCC to establish all the incentives for designated entities before the start of any auctions. This changing of the rules in mid stream is upsetting for designated entity participants such as my self, who have spend considerable time, energy and personal moneys pursuing a PCS license. Had I known these changes where to take place, I might have placed higher bids in the C-Band Auction.

IMPACT OF FCC's CHANGES

	C- Band	F-Band	% - Diff.
Up Front Payment*	\$.015/MHz-Pop	\$.06/MHz-Pop	300 %
Down Payment	10%	20%	100 %
Interest Only Payment	6 Years	2 Years	200 %

*Designated Entity;

The FCC should return the incentives for the "very small businesses" group back to the levels of the C-Band auction -- if not increase the incentives. And if necessary, hold a separate Auction for the F Band.

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Most designated entity business plans were built on C-Band level incentive assumptions. The above changes increase significantly the financing burden on very small businesses. Concerns about speculation and defaults should not be remedied by raising the down payment and lowering the interest only period.

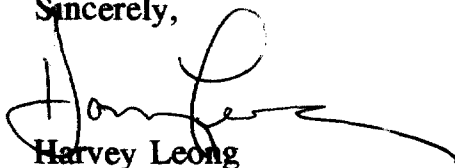
The rationale for the changes offered by the FCC do not appear to have economic and social studies and data to back up their positions. It appears as the work of policy makers de-positioning small businesses in favor of those business that can pay more.

I think, at the minimum, the FCC has a responsibility to all the small businesses that bid in the C-Band to keep the discount, down payment, up front payment and interest only period the same as the C-Band.

If one calculates the Net Present Value of these changes, one will see that they make a significant negative impact on cash flow and capital requirements.

In closing, the material and significant burdens placed on very small businesses by the FCC should be removed.

Sincerely,


Harvey Leong